Infra Finance

FIRST Infocentre

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India's sovereign credit ratings upgraded

Moody's Investor Service has released a credit rating update for India. They have upgraded the rating on long-term government bonds denominated in domestic currency from Ba1 to Baa3 (from speculative to investment grade).

In addition, Moody's have upgraded the short-term government bonds denominated in domestic currency from NP to P-3 (from speculative to investment grade). This short-term rating have been upgraded for the first time since it was newly assigned in 1998.

They have emphasised that the structural drivers of India's growth momentum will not be damaged by the present cyclical downturn.

Govt has no report on power sector facing funds crunch

The Ministry of Power has not received any report regarding power project developers facing scarcity of funds in the power sector, the Minister of State for Power KC Venugopal told the Rajya Sabha on December 19. A proposal to increase the exposure limits of banks for power sector companies by 5 per cent over the existing limits was under consideration. Department of Financial Services has indicated that as per Reserve Bank of India (RBI), the current exposure limits are way above the internationally accepted exposure limit norms.

RBI has further indicated that the existing exposure ceilings stipulated is adequate and no further increase in the limits is warranted. Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) have been authorised, as infrastructure finance companies, to lend additional five per cent of its owned funds to a single/group borrower(s) in private sector.

Resolve to regain Growth Momentum

Reacting to RBI's Mid Quarter Review of Monetary Policy for 2011-12, Pranab Mukherjee, Finance Minister, Government of India has said that inflation will moderate further in the coming weeks and welcomed the RBI Governor's resolve to check the speculative interventions in the foreign exchange market which among other factors has contributed to the sharp depreciation in the Indian Rupee against the US Dollar.

The Union Finance Minister has stated that RBI announcements concerning Monetary Policy would help in regaining our growth momentum with improved macro-economic parameters in the remaining period of the current fiscal 2011-12. RBI has changed its policy stance from monetary tightening to a pause for the first time in the current year, following the Mid Quarter Review of Monetary Policy for 2011-12. There is no change in any policy variables including the repo rate which stays at 8.50%. The RBI Governor has chosen to reflect his concerns on growth which has faultered in the past few months with the October IPP reflecting a significant contraction across all industry sectors.

The Minister has said that the need to improve the business sentiments and recover the growth momentum in the remaining months of the current fiscal necessitated a review of the monetary policy stance.

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Renewable energy projects can avail loans from REC and PFC provided they meet the terms and conditions of the loans.

B'lore needs ₹ 8K cr for SWD

Civic body, Bruhat Bangalore Mahanagara Palike (BBMP) needs not less than Rs 8,000 crore exclusively to provide storm water drains (SWDs) in all existing and new layouts in Bangalore. However, the BBMP has so far not calculated the amount to provide other basic amenities to its citizens. It plans to prepare a vision document for the next 10-15 years keeping in view developments which are taking place in the city.

A professor from the Indian Institute of Management has volunteered to undertake a detailed study on financial and administration matters. This well-researched document is certainly going to help the BBMP authorities to seek financial assistance from the international finance agencies for any projects in future. An officer told a newspaper that the city has got Rs 925 crore (old estimate Rs 643 crore) under Jawaharlal Nehru National Urban Renewal Mission (jnNURM) scheme to provide storm water drains in select places in the city. This money is just like a drop of water in ocean. If all the existing and new layouts are to be provided with storm water drains , the BBMP requires not less than Rs 8,000 crore.

In fact, a master plan on SWDs is in final stages and it will be implemented after Bangalore Water Supply and Sewerage Board (BWSSB) and Bangalore Development Authority (BDA) gives its concurrence. The burgeoning population has put a lot of pressure on the BBMP in providing basic amenities to citizens.

Panel moots SPV to help loss making power distributors

The Reserve Bank of India can help wipe out losses of power distribution utilities amounting to 82,000 crore by setting up a special purpose vehicle (SPV) that can purchase the liabilities, a high-level official panel appointed by the prime minister has recommended.

The panel, led by former CAG VK Shunglu, has recommended steps to insulate regulators from pressures by state governments, independent evaluation of electricity regulators and introduction of the franchisee model in power distribution in 255 towns to reduce losses. It has argued that the franchisee model is less likely to trigger frequent tariff revisions as compared to privatisation, where companies need to raise tariff to meet capital and fuel costs. It said that while distribution companies believe that their problems can be attributed to inadequate tariff, an equally important factor was the rising distribution losses, which some utilities had camouflaged.

The Shunglu Committee has recommended that the SPV would be owned 76 pre cent by the Reserve Bank of India while Power Finance Corp and Rural Electrification Corp would hold the balance. The SPV would constitute a chairman appointed by RBI, chairmen of PFC and REC and representatives of PSU banks. The committee has asked all public sector banks to jointly negotiate with states and their distribution utilities the final settlement amount and schedule.

BONDS

PFC to launch ₹ 4K cr tax-free bonds

Seeing the advantage of falling yields, the Power Finance Corporation (PFC) is planning to raise Rs 4,000 crore through tax-free infrastructure bonds in the last week of December. "Bonds with tenure of 10 and 15 years would be issued to the investors," Satnam Singh, Chairman and Managing Director, told a business newspaper. The government-controlled non-banking financial company (NBFC) had earlier decided to issue the bonds in mid-December.

However, with the Reserve Bank of India hinting at reversal of the monetary policy stance, the easing of yields has made the company delay its plan by a couple of weeks. " We have been zeroing in on the coupon we would offer. It should be 8.3-8.4 per cent. Now that government yields are falling, we are deciding on what to offer to our investors," he said.

The yields on 10-year government bonds have fallen to 8.32 per cent to 8.5 per cent since December 14.

AAI plans issue of bonds to meet capital expenditure

The Airports Authority of India (AAI) proposes to meet part of its capital expenditure by issuing bonds, the government said on December 21. This was informed to the Lok Sabha by Civil Aviation Minister Ajit Singh. Singh also placed a statement on the table of the House in which he said internal resources, government grants, north-eastern council grants and budgetary support would help AAI meet its expenditure requirements.

"However a balance amount is proposed to be met through private placement of bonds," Singh said. The amount would be Rs 1,500 crores in 2011-12 and Rs 1,700 crore in 2012-13. The Minister said that as per a study conducted by RITES, out of the 33 non-operational airports in the country, 13 could be made operational.

L&T Infra bond gets huge retail interest

Following the success of IDFC's long-term infrastructure bonds, L&T Infrastructure Finance's infra bonds are attracting good response, indicating retail investors preference for safe and stable investment options, amid a weak equity market.

L&T Infrastructure Finance, a finance subsidiary of Larsen & Toubro (L&T), expects to mobilise around Rs 600 crore from the long-term infrastructure bonds, which closes on December 24. The investor response is in line with the company's expectations and it is believed that, now, investors are more forthcoming, because they have understood the importance of the tax-saving instrument, which also yields annual and cumulative interest benefits at 9 per cent.

L&T is expected to get close to 3,00,000 applications this time. A banker, who is part of the issue, says these bonds are an added attraction because they provide an additional Rs 20,000 tax savings under Section 80CCF, which is over and above Rs 1,00,000 under Section 80C of the Income Tax Act.

Govt mulls to issue infra bond on intl capital market

Government has indicated plans of exploring the possibility of issuing long-term infrastructure bonds from the international capital markets. This will see government issue a 12 or 15 year bond in the coming years to finance long-term infrastructure projects.This could be compared with the 750 million Eurobond issued by government in 2007.This is also aside plans to introduce a seven and ten year bond announced in the 2012 budget. The government noted the initiative forms part of its policy to diversify its sources of funding for infrastructure projects in the country.

Rs 40K cr projects in south awaited clearances: FM

Finance Minister Pranab Mukherjee has expressed concern over the delays in the grant of various clearances for large infrastructure projects worth Rs 39,424 crore in the southern region, which he said endangers their viability. "It has come to my notice that in the southern region, 14 projects with a total investment of Rs 39,424 crore are pending for want of various approvals," Mukherjee said at a meeting with chief ministers of South Zone states and Union Territories and the CEOs of public sector banks and financial institutions in Bangalore. He requested the chief ministers to pay personal attention to the issue and review the status of large projects that are pending for want of water, electricity, land and state-level environmental clearances, among other approvals.

Lukewarm response to IDFC infra bonds, L&T's picks up

The first tranche of infrastructure bond issue offered by Infrastructure Development Finance Company (IDFC) has received a tepid response, with the company collecting only around Rs 500 crore. The infrastructure financing major is looking to raise Rs 5,000 crore through infra bonds in financial year 2011-12. This means, the company will have to tap retail money more aggressively to achieve its target in the next one or two tranches. The IDFC infra bond issue, offering nine per cent interest, had opened for subscription on November 21 and closed on December 16. Meanwhile, the response to L&T Infrastructure Finance Company's infrastructure bonds (9 per cent coupon rate) is improving. So far, the company has collected around Rs 175 crore as compared with Rs 40 crore raised in the first 8-10 days of the subscription period. The company aims to raise Rs 1,100 crore in FY12. L&T's bond issue closes on December 24. The issue is offering the same nine per cent interest.

IIDFC raises Rs 5.38 bn

India's Infrastructure Development Finance Co (IIDFC) on December 20 said that it has raised Rs 5.38 billion in the first part of up to Rs 50 billion tax-saving infrastructure bonds it proposes to sell in the retail market this fiscal year. India's fiscal year runs from April to March.The company sold 10-year bonds under two options with both having buy-back clauses at the end of the fifth year. The bonds will pay a cumulative annual yield of nine per cent under one option and a non-cumulative yield of nine per cent under the other. The issue for subscription opened on November 21 and closed on December 16. Last month, Vikram Limaye, an executive director of the lender to infrastructure projects, said the second tranche of the bond sale may be launched in the January-March quarter. Investments of up to Rs 20,000 in infrastructure bonds are exempted from income tax for individuals.

DEBT FUND

IIFCL to launch $1 bn infra debt fund by Feb

India Infrastructure Finance Company (IIFCL) mulls to launch a $1 billion infrastructure debt fund by the end of next February, the firm's Chairman and Managing Director SK Goel said on December 19. HSBC, the Asian Development Bank and local lenders Life Insurance Corp of India and IDBI Bank will be co-sponsors of the fund, SK Goel said. India has targeted $1 trillion to overhaul the country's clogged roads, railways and ports over the five years to 2017, and has called on private cash to fund half of that figure.

IIFCL's easy loans to infra developers

Infrastructure project developers can now get cheaper loans through IIFCL's takeout finance scheme. The State-owned company has come up with major modifications to its takeout finance scheme so as to match the demands of various stakeholders including the banks and developers.

A significant change is the decision of India Infrastructure Finance Company (IIFCL) to go in for a transparent and competitive pricing for its takeout finance so that everybody gets a fair treatment on the pricing front. Earlier, all interest rates on takeout finance were negotiable with project developers.

Now, it would depend on the ratings of the project and the interest rates would be spelt out on the company's website. Also, now borrowers can directly approach IIFCL for takeout finance. Hitherto, only lenders could refer cases to IIFCL. "The main objective of the recent changes is to ensure that pricing is non-discretionary and non-discriminatory. All developers whether they belong to big groups or small group will now get the same treatment from IIFCL depending on the rating of the project. They will get discounts ranging from 75 basis points to 200 basis points on the present rate paid to lenders," SK Goel, Chairman and Managing Director, IIFCL, told media-persons in Delhi on December 19.

Under takeout financing, loans made by banks to infrastructure firms are sold to IIFCL so that banks recover their much-needed funds ahead of the payment schedule under the loan agreement. IIFCL is the sole institution in the country that provides takeout finance scheme.

Petronet signs loan for Dahej terminal expansion

Petronet LNG has reportedly signed Rs 23.44 bn ($435 million) of loans, of which one term loan of Rs. 6.44bn matures in 2017, while another term facility of Rs 17 bn matures in 2020. Along with 11 other banks, State Bank of India has arranged the funding.

Petronet LNG may spend $600 million to expand its terminal by 50 per cent to 15 million metric tonne a year by December 2015. RK Garg, Finance Director, Petronet LNG was quoted as saying that the company may raise $400 million as debt, while potential users of the expanded terminal at Dahej in Gujarat state, including GAIL India and Gujarat State Petroleum Corp., may fund the remainder.

The company is seeking as much as 2 million tonne a year of long-term LNG contracts for its under-construction terminal at Kochi.

No loans to thermal power projects: IDFC

IDFC Managing Director & CEO Rajiv Lall has said that the infrastructure finance company has stopped lending to thermal power plants and may be forced to rework its business model if the overall situation does not improve. He told a leading newspaper that fhe overall situation is less than robust. "We would be fooling ourselves if we believed that secular growth is possible without proper economic management. You cannot have sustained growth without sustained investment, which generates demand for employment and that, in turn, leads to consumption. As the consumer spends, there is investment. We are losing that balance today. In the last 24 months, there has been a sharp and disproportionate reduction in capital expenditure, creating pressure on the growth momentum," he added.

INVESTMENT

Guj to float fund to woo Chinese cos

Gujarat Venture Finance Limited (GVFL) will launch a Rs 1,000 crore green energy fund to attract Chinese companies, a move aimed at strengthening the trade ties between the two regions. HC Pattnaik, Executive Director, GVFL, said, "The fund is specific to Chinese companies interested in setting up plants for equipment manufacturing plants in India in the fields of solar, wind, hydro and other alternative energy projects." GVFL, which had launched a similar fund in clean energy ventures and infrastructure in January 2011, will manage the fund. Likely to be called 'Golden Gujarat-China Fund' and launched on February 17, 2012, it will be registered with markets regulator Securities and Exchange Board of India (Sebi) soon. "As per Sebi rules, minimum five per cent investment should come from anchor investors, which in this case could be the state or the Central government. The rest will come from China," Pattnaik said. The fund will invest in equity on projects, which can be implemented anywhere in India and will use Chinese technology. GVFL had announced the Rs 1000-crore infrastructure fund - Golden Gujarat Growth Fund Series-1 - during the Vibrant Gujarat Global Investors' Summit 2011 held in January 2011. The company is expected to announce the first phase of closure at Rs 400 crore at the end of this month.

MICROFINANCE

SKS Microfin to up FII investment limit to 74%

SKS Microfinance, India's only listed microlender, said that its shareholders approved raising the investment limit of foreign institutional investors (FII) in the company to 74 per cent from 24 per cent. The company, which is fighting a cash crunch, said this on December 21.

Earlier this month, SKS said it plans to raise a maximum of Rs 5 billion ($97.25 million) through a share sale to institutional investors by March 2012. [8] RBI allows MFIs to raise up to $10 mn via ECBs

The Reserve Bank (RBI) has allowed microfinance institutions (MFIs) to raise up to $10 million through external commercial borrowings (ECB). Non-government organisations engaged in microfinance activities can avail of external commercial borrowings (ECB) up to $10 million or equivalent a financial year under the automatic route, from $5 million or equivalent earlier, the RBI said recently.

Industry players said the move reflects the return of regulatory confidence to the sector. The Reserve Bank of India (RBI) said micro lenders can raise up to $10 million in a financial year through ECBs under the automatic route. MFIs said they will be looking to raise funds through this route as cost of funds in the domestic market has become expensive and most banks in India are still wary of lending to the sector. External commercial borrowings are used by companies to get loans from abroad.

The microfinance institutions looking to raise funds through ECBs must have a "satisfactory relationship" for at least three years with a scheduled commercial bank authorised to deal in foreign exchange. They will also need a certificate of due diligence on 'fit and proper' status from the authorised dealer bank.

MFI witnessing positive developments

Namo Narain Meena in written reply to an Unstarred Question in Rajya Sabha recently informed the house that as per Reserve Bank of India (RBI)'s Circular dated May 3, 2011, bank loans extended on or after 1st April, 2011 to MFIs have been given the status of priority sector advances subject to fulfillment of certain conditions like 85% of total assets of MFIs being in the nature of qualifying assets, aggregate amount of loan extended for income generating activity not less than 75% of the total loans given by MFIs and compliance to pricing guidelines.

The circular inter alia provides fomargin cap at 12% and interest cap on individual loans at 26% per annum for all MFIs, no penalty for delayed payment and no security deposit/margin to be taken. RBI has also reported that the micro finance sector has started witnessing some positive developments after it allowed the continuance of priority sector lending (PSL) status for bank loans to NBFC-MFIs in May this year.

PRIVATE EQUITY

Stake picked up in IL&FS Energy Development Company Ltd

Two funds managed by IL&FS Investment Managers (IL&FS Private Equity), one of India's largest PE firms managing assets of $3.2 billion, have acquired stake in IL&FS Energy Development Company Ltd for Rs 230 crore. The stake has been picked up by Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Pte Ltd and IL&FS Infrastructure Equity Fund I.

IL&FS Energy Development Company Ltd, a subsidiary of IL&FS is a firm engaged in the operation and maintenance of power generation, transmission and distribution projects. This company aims to set up projects with aggregate capacity of over 15,000 MW. The company plans to develop greenfield projects and acquire substantial stake in existing operational assets.

Two of its key projects comprises 3,600 MW power project in Cuddalore, Tamil Nadu, which is likely to cost Rs 15,000 crore and the other one is of 726 MW capacity Tripura gas power project being set up along with ONGC, which is expected to cost Rs 3,430 crore. Another project in the pipeline includes 4,000 MW Nana Layja power project in Gujarat.

PE funding sought by Amrapali

As it's becoming difficult to raise funds from banks owing to tightening of monetary position and constant increase in rate of interest, number of real estate developers have started looking to tap PE funding to complete their projects amidst falling demand. Amrapali Group is seeking PE funding for two of its residential projects in Noida and is raising Rs 220 crore from IL&FS Investment Managers and JP Morgan & Chase. IL&FS Investment Managers will invest Rs 100 crore in 20-acre Princely Estate mid-segment apartment project in Noida, while JP Morgan Chase will invest Rs 120 cr in its 60-acre Silicon Valley project. The group is also planning to raise funds for forthcoming projects in tier-II and -III cities such as Ranchi, Ratlam and Bhillai.

Everstone Capital acquiring 45% stake in JSH

Everstone Capital is acquiring 45% stake in JS Hospitality Services by investing $20Mn. The funds will be used for expanding the network of quick service restaurants across India. JS Hospitality services operates about 30 Pind Balluchi restaurants, mostly in the National Capital Region, serving north Indian cuisine.

National Summary Data Page

SDDS data category and component	Unit of description	Observations			Percentage change from previous to latest period	More	Meta data
		Period of latest data	Latest data	Data for previous period			
Financial Sector							
Analytical Accounts of the Banking Sector					ARC	more	DSBB
Monetary Aggregates							
Broad Money (M3)	Rs.Crore	Dec/2/2011	7073261	6079849	16.3	-	-
Domestic credit to General Government	Rs.Crore	Dec/2/2011	2231635	1825040	22.3	-	-
Other Domestic Credit	Rs.Crore	Dec/2/2011	4533989	3875604	17.0	-	-
Net Foreign Exchange Assets of the Banking Sector	Rs.Crore	Dec/2/2011	1584776	1371325	15.6	-	-
Analytical Accounts of the Central Bank - Reserve Bank of India[RBI]					ARC	-	-
Reserve Money	Rs.Crore	Dec/9/2011	1417772	1253928	13.1	more	DSBB
Net RBI Credit to General Government	Rs.Crore	Dec/9/2011	434696	282396	-	-	-
RBI Credit to Commercial Sector	Rs.Crore	Dec/9/2011	1998	1626	-	-	-
RBI's Claims on Banks	Rs.Crore	Dec/9/2011	6006	3801	-	-	-
Net Foreign Exchange Assets of RBI	Rs.Crore	Dec/9/2011	1567014	1306965	19.9	-	-
Interest Rates				ARC	Basis points	more	DSBB
Bank Rate	percent per annum	Dec/2/2011	6.00	6.00	0	-	-
Prime Lending Rates	percent per annum	Dec/2/2011	10.00-10.75	7.60-8.50		-	-
Treasury Bill Rates	percent per annum	Dec/7/2011	8.60	7.23	137	-	-
Stock Market						more	DSBB
BombayStockExchange(Sensex)	1978-79=100	Dec/20/2011	15175.00	19889.00	-23.7	BSE	
NationalStockExchange(Nifty)	Nov 3,1995 =1000	Dec/20/2011	4544.00	5947.00	-23.6	NSE	
*Source-Ministry of Finance							

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